



Ernie Fletcher  
Governor

LaJuana S. Wilcher, Secretary  
Environmental and Public  
Protection Cabinet

Christopher L. Lilly  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
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Mark David Goss  
Chairman

Gregory Coker  
Commissioner

May 9, 2005

Jeffrey Craig Shipp, Esq.  
Kohnen Patton LLP  
PNC Center Suite 800  
201 East Fifth Street  
Cincinnati, OH 45202

Dear Mr. Shipp:

The Public Service Commission has been informed that the City of Williamstown ("Williamstown") intends to increase its wholesale water rate to Bullock Pen Water District in the near future.

In Simpson County Water District v. City of Franklin, Ky., 872 S.W.2d 460 (1994), the Kentucky Supreme Court held that the Public Service Commission has jurisdiction over contracts between municipal utilities and public utilities and that changes in any rate that a municipal utility assesses a public utility for wholesale utility service must be approved by the Public Service Commission. Pursuant to the Simpson County decision, the Public Service Commission in Administrative Case No. 351 directed that "[a]ny municipal utility wishing to change or revise a contract or rate for wholesale utility service to a public utility shall, no later than 30 days prior to the effective date of the revision, file with the Commission the revised contract and rate schedule." A copy of the Simpson County decision and the Public Service Commission's Order is enclosed.

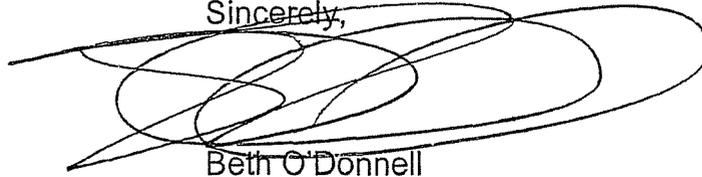
As of this date, Williamstown has not filed its proposed rate revisions with the Public Service Commission. Until such revisions are filed with the Public Service Commission, Williamstown may not change the rate that it currently charges its wholesale customers that are public utilities. Changes to Williamstown's existing wholesale rate should be made in accordance with KRS 278.180 and Administrative Regulation 807 KAR 5:011. Any charge to Bullock Pen Water District in excess of the wholesale rate presently on file with the Public Service Commission must be refunded.

For your reference, I am enclosing previous guidance that Commission Staff has issued on the procedures that a municipal utility must follow when changing its rates for utility service to public utilities. In addition to the materials listed in that letter, I strongly recommend that a copy of the city ordinance adjusting the wholesale water service rate and any cost-of-service study supporting the proposed adjustment also be filed with the Commission.

Jeffrey Craig Shipp, Esq.  
May 9, 2005  
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Any questions regarding this letter should be directed to Gerald Wuetcher, Acting General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Beth O'Donnell  
Executive Director

Enclosures

cc: Bullock Pen Water District  
Thomas R. Neinaber, Esq.